

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

September 25, 2008

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corbin Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2008, on our consideration of Corbin Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Marr, Miller & Myers, PSC

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted auditing standards. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corbin Independent School District's basic financial statements. The additional information shown on pages 33 through 46 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 38 through 39 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marr, Miller & Myers, PSC

Certified Public Accountants

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The management of the Corbin Independent School District (District) offers readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to review the information presented here in conjunction with additional information found within the body of the audit.

SUPERINTENDENT'S REVIEW OF THE YEAR

- The Corbin Independent School District was recognized as an "Exemplary Growth District" based on the 2008 CATS results. This classification means that all schools in the Corbin District met or exceeded their improvement goals. The District scored 99.2 on the 2007 CATS test and 97.7 in 2008, for a combined index of 98.5. This ranked the Corbin Independent School District in the top 2% out of 176 school districts, which was 3rd in the state.
- All Corbin schools exceeded their 2006-2008 CATS improvement goals. South/Central Elementary grades P-5 scored 106 on the 2007 CATS test and 100.1 in 2008, for a combined index of 103.1. This ranked them in the top 7% of elementary schools in the Commonwealth.
- Corbin Middle School scored 100.3 on the 2007 CATS test and 102.8 in 2008, for a combined index of 101.6. Corbin Middle School is the 2nd ranked middle school in the state.
- Corbin High School scored 91.2 on the 2007 CATS test and 90.3 in 2008, for a combined index of 90.8. Corbin High School ranked in the top 20 of all high schools in the state, placing them in the top 8%.
- Corbin High School ranked above the state average in English, math, reading, science and composite scores on the 2008 ACT test.
- Corbin High School was named a National High School's That Work "Pacesetter School" in the 2008 school year, only one out of twenty-five nation-wide.
- Corbin Independent School District designed and constructed a state of the art Corbin Primary School, grades K-2 and opened in August 2008. The 74,000 sq ft. new school is located on seventy plus acres. The design highlights are a one of a kind media center, large classrooms with each containing a storage room, computer labs in each of the three learning communities, a full size gym, and outdoor activity and classroom areas. The building has been designed with student learning at the heart.
- Support by the Corbin Board of Education has encouraged teachers in the school district to pursue National Board Teacher Certification. The District has eight teachers holding certification and seven current candidates.
- The District focused on Response to Intervention, developing a District-wide team to be trained. This team will aid all the schools in implementing "Safety Nets" for all students in each school. Other curriculum programs that continue to positively impact students in Corbin are Rigby Reading, Everyday Math, History Alive, LiPs, 21st Century Programs, Reading Recovery, United Streaming, Power Verbs, Thinking Maps and MAP testing.
- Corbin Independent and its 21st Century Community Learning Center was recognized at the national level, being awarded the John Hopkins University Excellence Award for the nation's outstanding summer learning program.
- Academic Competitions received world, national, state and regional awards: Corbin Middle School Science Olympiad teams have been the Kentucky champs four out of the last seven years and competed nationally in 2007-2008. Corbin High School's Academic Teams won the district and the region and advanced to the state. South Elementary Odyssey of the Mind Team placed 20th in the world competition.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

- Student enrollment continued to increase during the 2007-2008 school year and exceeded 2500 students at year end. The student enrollment is the largest ever for the Corbin school district. Enrollment has increased every year since 1997.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$3,605,923 in 2008 and \$14,064,415 in 2007. The cash balances include \$38,998 and \$104,180 for 2008 and 2007, respectively, reserved for debt service payments. In 2008 and 2007, cash of \$1,530,035 and \$12,341,102, respectively, was reserved for capital projects.
- The district experienced an increase in interest income in 2007-08 of \$101,007. This was due to the increase of available cash.
- The General Fund had \$15,603,576 in revenue, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$15,556,845 in General Fund expenditures.
- When funds are available, the District may use cash or sell bonds to build or renovate facilities within the school district. The projects must be identified on the District Facility Plan.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and management of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 of this report.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are vending and food service operations and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2008

Fiscal year 2008 government-wide net assets compared to 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 4,324,126	\$ 14,643,425
Capital assets	<u>25,925,154</u>	<u>14,036,019</u>
Total Assets	<u>\$ 30,249,280</u>	<u>\$ 28,679,444</u>
Current liabilities	\$ 2,058,305	\$ 2,128,266
Noncurrent liabilities	<u>17,316,870</u>	<u>18,094,249</u>
Total Liabilities	<u>\$ 19,375,175</u>	<u>\$ 20,222,515</u>
Net assets		
Investment in capital assets, net of related debt	\$ 8,047,723	\$ (4,659,821)
Restricted	1,467,643	11,745,554
Unrestricted	<u>1,358,739</u>	<u>1,371,196</u>
Total Net Assets	<u>\$ 10,874,105</u>	<u>\$ 8,456,929</u>

The District had an overall decrease in unrestricted net assets of \$12,457 comprised of an increase in business-type activities of \$54,274 and a decrease in governmental activities of \$66,731.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2008</u>	<u>Percent</u>	<u>2007</u>	<u>Percent</u>
REVENUES				
Local revenue sources	\$ 3,908,961	18.55%	\$ 3,555,378	18.87%
State revenue sources	15,313,702	72.65	13,457,797	71.41
Federal sources	<u>1,854,649</u>	<u>8.80</u>	<u>1,831,562</u>	<u>9.72</u>
Total revenues	<u>21,077,312</u>	<u>100.00</u>	<u>18,844,737</u>	<u>100.00</u>
EXPENDITURES				
Instruction	13,660,130	64.81	11,879,199	63.04
Student support services	181,865	.87	179,722	.95
Instructional staff	443,683	2.11	684,416	3.63
District administration	746,003	3.54	492,450	2.61
School administration	995,763	4.73	922,036	4.89
Business	449,272	2.13	416,077	2.21
Plant operation and management	1,415,569	6.72	1,336,672	7.09
Student transportation	582,310	2.76	523,275	2.78
Other instructional	24,152	.11	24,162	.13
Facilities acquisition and construction	11,603,917	55.05	4,812,907	25.54
Community services activities	188,580	.89	181,560	.96
Debt service	<u>1,515,679</u>	<u>7.19</u>	<u>1,436,295</u>	<u>7.62</u>
Total expenditures	<u>31,806,923</u>	<u>150.91</u>	<u>22,888,771</u>	<u>121.45</u>
Excess revenues (expenditures)	<u>\$(10,729,611)</u>	<u>(50.91)%</u>	<u>\$ (4,044,034)</u>	<u>(21.45)%</u>

The majority of the District's revenue was derived from state revenue sources making up 72.65% of their revenue in 2008 as compared to 71.41% in 2007. Local revenue sources comprised 18.55% of total revenue in 2008 as compared to 18.87% in 2007.

Instructional expenditures comprised 64.81% of the District's expenses for 2008 as compared to 63.04% in 2007. Facilities acquisition and construction was the largest consumption of revenues at 55.05% in 2008 as compared to 25.54% in 2007.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2008 were \$15,603,576.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$3,252,135 more than budget or 26.33%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$2,901,395 that were not budgeted. When these are eliminated, revenues compared to budget were \$350,740 or 2.84% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2008 was \$15,556,845.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$1,874,689 more than budget or 13.70%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$2,901,395 that were not budgeted. When these are eliminated, expenditures compared to budget were \$1,026,706 or 7.50% less than anticipated.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

FUTURE BUDGET IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2008-2009 with a 3.6% contingency. Board action that impacts the finances includes:

- Board match up to 1% of the employees' gross salary in the Kentucky Public Employees Deferred Compensation Match Program.
- Converting unused emergency days to sick leave.
- Stipend pay for workshop presentations and attending summer academies.
- Unfunded State salary requirements.
- Expanding technology.
- Board match on Offers of Assistance from SFCC and Technology.
- Two additional work days for all employees.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent (606) 528-1303 or to Alicia Logan, Director of Financial Services (606) 528-1303 or by mail at 108 Roy Kidd Avenue, Corbin, KY 40701.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET ASSETS
June 30, 2008

<u>ASSETS</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,453,631	\$ 152,292	\$ 3,605,923
Accounts receivable:			
Taxes - current	223,912	-	223,912
Accounts receivable	22,981	9,949	32,930
Intergovernmental - state	87,905	-	87,905
Intergovernmental - federal	192,829	148,943	341,772
Materials and supplies inventory	-	28,467	28,467
Interest receivable	3,217	-	3,217
Total current assets	<u>3,984,475</u>	<u>339,651</u>	<u>4,324,126</u>
NONCURRENT ASSETS			
Capital assets, net	<u>25,731,310</u>	<u>193,844</u>	<u>25,925,154</u>
Total noncurrent assets	<u>25,731,310</u>	<u>193,844</u>	<u>25,925,154</u>
TOTAL ASSETS	<u>29,715,785</u>	<u>533,495</u>	<u>30,249,280</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	152,239	6,913	159,152
Accrued expenses	45,907	-	45,907
Deferred revenue	133,109	-	133,109
Construction contracts retainage	749,243	-	749,243
Construction contracts payable	58,888	-	58,888
Current portion of bond obligations	672,000	-	672,000
Current portion of lease obligations	66,409	-	66,409
Current portion of accrued sick leave	173,597	-	173,597
Total current liabilities	<u>2,051,392</u>	<u>6,913</u>	<u>2,058,305</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	16,973,000	-	16,973,000
Noncurrent portion of lease obligations	166,022	-	166,022
Noncurrent portion of accrued sick leave	177,848	-	177,848
Total noncurrent liabilities	<u>17,316,870</u>	<u>-</u>	<u>17,316,870</u>
TOTAL LIABILITIES	<u>19,368,262</u>	<u>6,913</u>	<u>19,375,175</u>
NET ASSETS			
Investment in capital assets, net of related debt	7,853,879	193,844	8,047,723
Restricted for:			
Accrued sick leave	68,084	-	68,084
Debt service	38,998	-	38,998
Capital projects	1,360,561	-	1,360,561
Unrestricted	1,026,001	332,738	1,358,739
TOTAL NET ASSETS	<u>\$ 10,347,523</u>	<u>\$ 526,582</u>	<u>\$ 10,874,105</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF ACTIVITIES
June 30, 2008

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 13,178,628	\$ 20,070	\$ 2,629,507	\$ -	\$(10,529,051)		\$(10,529,051)
Support services:							
Student	183,458	-	-	-	(183,458)		(183,458)
Instructional staff	445,374	-	105,788	-	(339,586)		(339,586)
District administration	578,552	-	500	-	(578,052)		(578,052)
School administration	996,953	-	101,177	-	(895,776)		(895,776)
Business	451,977	-	-	-	(451,977)		(451,977)
Plant operation and management	1,424,673	-	-	-	(1,424,673)		(1,424,673)
Student transportation	542,873	-	10,003	-	(532,870)		(532,870)
Other instructional	24,152	-	-	-	(24,152)		(24,152)
Central office	1,329	-	-	-	(1,329)		(1,329)
Facilities acquisition and construction	-	-	-	1,136,106	1,136,106		1,136,106
Community services activities	192,910	-	188,580	-	(4,330)		(4,330)
Interest on long-term debt	697,270	-	-	-	(697,270)		(697,270)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 18,718,149</u>	<u>\$ 20,070</u>	<u>\$ 3,035,555</u>	<u>\$ 1,136,106</u>	<u>\$(14,526,418)</u>		<u>\$(14,526,418)</u>
BUSINESS-TYPE ACTIVITIES:							
Food service	\$ 1,246,147	\$ 436,947	\$ 874,426	\$ -		\$ 65,226	65,226
Day care	324,399	290,903	17,163	-		(16,333)	(16,333)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 1,570,546</u>	<u>\$ 727,850</u>	<u>\$ 891,589</u>	<u>\$ -</u>		<u>48,893</u>	<u>48,893</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 20,288,695</u>	<u>\$ 747,920</u>	<u>\$ 3,927,144</u>	<u>\$ 1,136,106</u>			(14,477,525)
GENERAL REVENUES							
Taxes							
Property					2,183,671	-	2,183,671
Motor vehicle					434,638	-	434,638
Utilities					582,065	-	582,065
Revenue in lieu of taxes - state and local					36,360	-	36,360
State and formula grants					12,973,920	-	12,973,920
Earnings on investments					428,603	9,120	437,723
Other local revenues					246,324	-	246,324
Total general revenues					<u>16,885,581</u>	<u>9,120</u>	<u>16,894,701</u>
Change in net assets					2,359,163	58,013	2,417,176
Net assets, July 1, 2007					7,988,360	468,569	8,456,929
Net assets, June 30, 2008					<u>\$ 10,347,523</u>	<u>\$ 526,582</u>	<u>\$ 10,874,105</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 1,396,783	\$(147,625)	\$ 2,204,473	\$ 3,453,631
Accounts receivable:				
Taxes - current	223,912	-	-	223,912
Accounts receivable	22,981	-	-	22,981
Intergovernmental - state	-	87,905	-	87,905
Intergovernmental - federal	-	192,829	-	192,829
Interest receivable	-	-	3,217	3,217
TOTAL ASSETS AND RESOURCES	<u>\$ 1,643,676</u>	<u>\$ 133,109</u>	<u>\$ 2,207,690</u>	<u>\$ 3,984,475</u>
LIABILITIES				
Accounts payable	\$ 152,239	\$ -	\$ -	\$ 152,239
Accrued expenses	45,907	-	-	45,907
Deferred revenue	-	133,109	-	133,109
Construction contracts retainage	-	-	749,243	749,243
Construction contracts payable	-	-	58,888	58,888
TOTAL LIABILITIES	<u>198,146</u>	<u>133,109</u>	<u>808,131</u>	<u>1,139,386</u>
FUND BALANCES				
Reserved:				
Accrued sick leave	68,084	-	-	68,084
Unreserved, reported in:				
General fund	1,377,446	-	-	1,377,446
Debt service fund	-	-	38,998	38,998
Capital projects funds	-	-	1,360,561	1,360,561
TOTAL FUND BALANCES	<u>1,445,530</u>	<u>-</u>	<u>1,399,559</u>	<u>2,845,089</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,643,676</u>	<u>\$ 133,109</u>	<u>\$ 2,207,690</u>	<u>\$ 3,984,475</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2008

Total Fund Balances per fund financial statements	\$ 2,845,089
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net assets	25,731,310
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Certain liabilities, such as accrued sick leave, bonds payable and lease obligations are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets:

Accrued sick leave	\$	(351,445)	
Bonds payable		(17,645,000)	
Lease obligations		<u>(232,431)</u>	<u>(18,228,876)</u>

Total Net Assets for Governmental Activities	<u>\$ 10,347,523</u>
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The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>General Fund</u>	<u>Special Revenue</u>
REVENUES		
From local sources:		
Taxes		
Property	\$ 1,401,865	\$ -
Motor vehicle	434,638	-
Utilities	582,065	-
Revenue in lieu of taxes - state and local	36,360	-
Tuition and fees	5,280	-
Earnings on investments	91,538	1,828
Other local revenues	228,609	9,735
Intergovernmental - state	12,823,221	1,209,622
Intergovernmental - federal	-	1,854,649
TOTAL REVENUES	<u>15,603,576</u>	<u>3,075,834</u>
EXPENDITURES		
Instruction	10,981,616	2,678,514
Support services:		
Student	181,865	-
Instructional staff	337,895	105,788
District administration	745,503	500
School administration	894,586	101,177
Business	449,272	-
Plant operation and management	1,343,519	-
Student transportation	572,307	10,003
Other instructional	24,152	-
Facilities acquisition and construction	-	-
Community services activities	-	188,580
Payment of bonds/debt service	-	-
Payment of lease obligation	26,130	40,279
Payment of interest	-	-
TOTAL EXPENDITURES	<u>15,556,845</u>	<u>3,124,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>46,731</u>	<u>(49,007)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	49,007
Operating transfers out	(122,227)	-
Bond proceeds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(122,227)</u>	<u>49,007</u>
NET CHANGES IN FUND BALANCES	(75,496)	-
FUND BALANCES, JULY 1, 2007	<u>1,521,026</u>	-
FUND BALANCES, JUNE 30, 2008	<u>\$ 1,445,530</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 781,806	\$ 2,183,671
-	434,638
-	582,065
-	36,360
-	5,280
335,237	428,603
-	238,344
1,280,859	15,313,702
-	1,854,649
<u>2,397,902</u>	<u>21,077,312</u>
-	13,660,130
-	181,865
-	443,683
-	746,003
-	995,763
-	449,272
72,050	1,415,569
-	582,310
-	24,152
11,603,917	11,603,917
-	188,580
752,000	752,000
-	66,409
697,270	697,270
<u>13,125,237</u>	<u>31,806,923</u>
<u>(10,727,335)</u>	<u>(10,729,611)</u>
1,337,980	1,386,987
(1,264,760)	(1,386,987)
<u>376,204</u>	<u>376,204</u>
<u>449,424</u>	<u>376,204</u>
(10,277,911)	(10,353,407)
<u>11,677,470</u>	<u>13,198,496</u>
<u>\$ 1,399,559</u>	<u>\$ 2,845,089</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Total Net Change In Fund Balances – per fund financial statements	\$(10,353,407)
--	-----------------------

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense.

Depreciation	\$ (691,772)	
Capital outlays	<u>12,577,168</u>	11,885,396

Repayment of bond principal is an expenditure in the governmental funds, but
the repayment reduces noncurrent liabilities in the statement of net assets and
does not result in an expense in the statement of activities.

752,000

Payment on the lease obligation is an expenditure in the governmental
funds, but the payment reduces noncurrent lease obligations in the statement
of net assets and does not result in an expense in the statement of activities.

66,409

Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in
governmental funds:

Accrued sick leave		<u>8,765</u>
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Change In Net Assets of Governmental Activities

\$ 2,359,163

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008

REVENUES	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
From local sources:				
Taxes				
Property	\$ 1,265,000	\$ 1,250,000	\$ 1,401,865	\$ 151,865
Motor vehicle	375,000	375,000	434,638	59,638
Utilities	520,000	520,000	582,065	62,065
Revenue in lieu of taxes - state and local	35,000	35,000	36,360	1,360
Tuition and fees	6,000	6,000	5,280	(720)
Earnings on investments	85,000	85,000	91,538	6,538
Other local revenues	160,730	157,355	228,609	71,254
Intergovernmental - state	9,230,152	9,907,086	12,823,221	2,916,135
Intergovernmental - federal	16,000	16,000	-	(16,000)
TOTAL REVENUES	<u>11,692,882</u>	<u>12,351,441</u>	<u>15,603,576</u>	<u>3,252,135</u>
EXPENDITURES				
Instruction	8,077,253	8,371,377	10,981,616	(2,610,239)
Support services:				
Student	165,661	165,661	181,865	(16,204)
Instructional staff	289,953	289,953	337,895	(47,942)
District administration	620,604	645,604	745,503	(99,899)
School administration	801,391	801,391	894,586	(93,195)
Business	411,979	423,079	449,272	(26,193)
Plant operation and management	1,284,746	1,324,946	1,343,519	(18,573)
Student transportation	516,733	552,733	572,307	(19,574)
Other instructional	23,166	23,166	24,152	(986)
Facilities acquisition and construction	2,000	2,000	-	2,000
Payment of lease obligation	26,130	26,130	26,130	-
Contingency	822,988	1,056,116	-	1,056,116
TOTAL EXPENDITURES	<u>13,042,604</u>	<u>13,682,156</u>	<u>15,556,845</u>	<u>(1,874,689)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,349,722)</u>	<u>(1,330,715)</u>	<u>46,731</u>	<u>1,377,446</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(103,220)</u>	<u>(122,227)</u>	<u>(122,227)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>(1,452,942)</u>	<u>(1,452,942)</u>	<u>(75,496)</u>	<u>1,377,446</u>
FUND BALANCE, JULY 1, 2007	<u>1,452,942</u>	<u>1,452,942</u>	<u>1,521,026</u>	<u>68,084</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,445,530</u>	<u>\$ 1,445,530</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 137,267	\$ 15,025	\$ 152,292
Materials and supplies inventory	28,467	-	28,467
Accounts receivable:			
Accounts receivable	9,949	-	9,949
Intergovernmental - federal	148,943	-	148,943
Total current assets	<u>324,626</u>	<u>15,025</u>	<u>339,651</u>
NONCURRENT ASSETS			
Capital assets, net	<u>193,844</u>	<u>-</u>	<u>193,844</u>
TOTAL ASSETS	<u>518,470</u>	<u>15,025</u>	<u>533,495</u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	<u>6,913</u>	<u>-</u>	<u>6,913</u>
TOTAL CURRENT LIABILITIES	<u>6,913</u>	<u>-</u>	<u>6,913</u>
NET ASSETS			
Investment in capital assets	193,844	-	193,844
Unrestricted	<u>317,713</u>	<u>15,025</u>	<u>332,738</u>
TOTAL NET ASSETS	<u>\$ 511,557</u>	<u>\$ 15,025</u>	<u>\$ 526,582</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
OPERATING REVENUES			
Tuition and fees	\$ -	\$ 290,903	\$ 290,903
Sales	436,947	-	436,947
TOTAL OPERATING REVENUES	<u>436,947</u>	<u>290,903</u>	<u>727,850</u>
OPERATING EXPENSES			
Salaries	409,585	198,699	608,284
Employee benefits	161,510	37,753	199,263
Purchased services	18,832	16,430	35,262
Supplies and materials	632,814	67,240	700,054
Depreciation	21,977	-	21,977
Other operating expenses	1,429	4,277	5,706
TOTAL OPERATING EXPENSES	<u>1,246,147</u>	<u>324,399</u>	<u>1,570,546</u>
OPERATING INCOME (LOSS)	<u>(809,200)</u>	<u>(33,496)</u>	<u>(842,696)</u>
NON-OPERATING REVENUES (EXPENSES)			
Operating grants-federal	793,582	-	793,582
Operating grants-state	13,874	17,163	31,037
Interest income	9,120	-	9,120
Intergovernmental - state	66,970	-	66,970
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>883,546</u>	<u>17,163</u>	<u>900,709</u>
CHANGES IN NET ASSETS	74,346	(16,333)	58,013
NET ASSETS, JULY 1, 2007	<u>437,211</u>	<u>31,358</u>	<u>468,569</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 511,557</u>	<u>\$ 15,025</u>	<u>\$ 526,582</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tuition and fees	\$ -	\$ 290,903	\$ 290,903
Cash received from sales	430,836	-	430,836
Cash payments for salaries	(409,585)	(198,699)	(608,284)
Cash payments for employee benefits	(161,510)	(37,753)	(199,263)
Cash payments for purchased services	(18,832)	(16,430)	(35,262)
Cash payments for supplies and materials	(637,735)	(67,037)	(704,772)
Cash payments for other operating expenses	(1,429)	(4,277)	(5,706)
Net cash provided (used) by operating activities	<u>(798,255)</u>	<u>(33,293)</u>	<u>(831,548)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	<u>(25,716)</u>	<u>-</u>	<u>(25,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	9,120	-	9,120
Receipt of grants	857,229	17,163	874,392
Net cash provided (used) by investing activities	<u>866,349</u>	<u>17,163</u>	<u>883,512</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,378	(16,130)	26,248
CASH AND CASH EQUIVALENTS, JULY 1, 2007	<u>94,889</u>	<u>31,155</u>	<u>126,044</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	<u>\$ 137,267</u>	<u>\$ 15,025</u>	<u>\$ 152,292</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (809,200)	\$ (33,496)	\$ (842,696)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation	21,977	-	21,977
Changes in assets and liabilities:			
Accounts receivable	(6,111)	2,761	(3,350)
Inventory	5,606	-	5,606
Accounts payable	(10,527)	(2,558)	(13,085)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (798,255)</u>	<u>\$ (33,293)</u>	<u>\$ (831,548)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Donated commodities received from federal government			<u>\$ 66,543</u>
On-behalf payments from state government			<u>\$ 66,970</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

	<u>ASSETS</u>	<u>AGENCY</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 179,351
Receivables		<u>318</u>
TOTAL ASSETS		<u>179,669</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable		10,908
Due to students		<u>168,761</u>
TOTAL LIABILITIES		<u>179,669</u>
NET ASSETS		<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Corbin Independent School District are summarized as follows:

REPORTING ENTITY

The Corbin Independent Board of Education (Board), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Corbin Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Corbin Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

CORBIN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Corbin Independent Board of Education resolved to authorize the establishment of the Corbin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Corbin Independent Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 38 through 39. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Funds)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District. The Day Care Fund is a major fund.

III. Fiduciary Fund Type (Agency Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorized the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime and issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 with the exception of assets acquired with Technology Funds, which there is no threshold, and a useful life of less than 1 year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District recognizes as revenues and expenses contributions made by the State of Kentucky for health insurance and flexible spending accounts on behalf of the District's employees. In fiscal year 2008, the State made contributions of \$2,968,365, consisting of \$2,901,395 for governmental funds and \$66,970 for proprietary funds.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

GOVERNMENTAL FUND BALANCE RESERVES

The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Reservations of fund balance are established for sick leave, debt service and capital projects.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NET ASSETS

Net assets represent the difference between assets and liabilities. Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for day care operations.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than U.S. Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2008, the carrying amount of the District's deposits (cash and certificates of deposit) was \$3,605,923 and the bank balance was \$3,766,371. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: The Hometown Bank of Corbin, The Bank of New York Mellon, Sungard and Banker's Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$17,254,371.
- c. Largest cash, savings and time deposit combined account balance amounted to \$16,217,399 and occurred during the month of July.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$100,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits, which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and Category 2.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2008 fiscal year was based, was \$521,204,055. The tax rates assessed for the year ended June 30, 2008 to finance general fund operations were \$.494 per \$100 valuation for real estate and \$.494 for tangible property. The District committed \$.05 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2008 were ninety-six percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – PROPERTY TAXES (CONTINUED)

At June 30, 2008, the components of taxes receivable were as follows:

Motor vehicle	\$ 36,912
General property tax	97,249
Utilities tax	<u>89,751</u>
	<u>\$ 223,912</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
GOVERNMENTAL ACTIVITIES				
Land	\$ 2,039,467	\$ 175,067	\$ -	\$ 2,214,534
Land improvements	1,495,220	111,800	-	1,607,020
Buildings and improvements	13,849,837	231,566	-	14,081,403
Technology equipment	2,026,281	212,400	91,005	2,147,676
Vehicles	1,243,038	104,740	-	1,347,778
General equipment	1,020,109	1,082,962	-	2,103,071
Construction in progress	<u>3,435,303</u>	<u>10,658,633</u>	-	<u>14,093,936</u>
Totals at cost	<u>25,109,255</u>	<u>12,577,168</u>	<u>91,005</u>	<u>37,595,418</u>
Less accumulated depreciation:				
Land improvements	1,219,315	58,788	-	1,278,103
Buildings and improvements	7,537,958	332,626	-	7,870,584
Technology equipment	1,437,780	166,574	91,005	1,513,349
Vehicles	829,369	67,727	-	897,096
General equipment	<u>238,919</u>	<u>66,057</u>	-	<u>304,976</u>
Total accumulated depreciation	<u>11,263,341</u>	<u>691,772</u>	<u>91,005</u>	<u>11,864,108</u>
Governmental activities capital assets, net	<u>\$ 13,845,914</u>	<u>\$ 11,885,396</u>	<u>\$ -</u>	<u>\$ 25,731,310</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 444,521	\$ 25,716	\$ -	\$ 470,237
Technology equipment	<u>30,371</u>	-	-	<u>30,371</u>
Totals at cost	<u>474,892</u>	<u>25,716</u>	-	<u>500,608</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Less accumulated depreciation:				
Food service equipment	273,071	20,423	-	293,494
Technology equipment	11,716	1,554	-	13,270
Total accumulated depreciation	<u>284,787</u>	<u>21,977</u>	<u>-</u>	<u>306,764</u>
Business-type activities capital assets, net	<u>\$ 190,105</u>	<u>\$ 3,739</u>	<u>\$ -</u>	<u>\$ 193,844</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 588,853
Support services:	
Student	1,593
Instructional staff	1,691
District administration	7,616
School administration	1,190
Business	2,705
Plant operation and management	17,162
Student transportation	65,303
Central office	1,329
Community services activities	4,330
Total governmental activities	<u>\$ 691,772</u>

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1996	\$ 895,000	5.375% to 5.55%
1998A	620,000	4.5%
1998B	585,000	4.25% to 4.6%
2000	305,000	5.6%
2001	345,000	3.9% to 4.9%
2002	3,380,000	1.4% to 3.2%
2005	530,000	3.1% to 3.6%
2007	15,005,000	3.6% to 4.0%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund), is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Corbin Independent School District and the Corbin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

In 1990, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

Year	Corbin Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2008-09	\$ 592,383	\$ 628,334	\$ 79,617	\$ 65,226	\$ 1,365,560
2009-10	613,165	609,077	82,835	62,008	1,367,085
2010-11	633,605	588,369	86,395	58,665	1,367,034
2011-12	658,931	566,894	85,069	55,158	1,366,052
2012-13	684,830	542,327	88,170	51,620	1,366,947
2013-14	705,069	515,109	91,931	47,858	1,359,967
2014-15	735,125	487,069	95,875	43,916	1,361,985
2015-16	763,968	457,803	100,032	39,757	1,361,560
2016-17	793,988	426,559	99,012	35,511	1,355,070
2017-18	825,504	396,772	89,496	31,357	1,343,129
2018-19	856,419	363,712	93,581	27,273	1,340,985
2019-20	892,116	329,433	97,884	22,972	1,342,405
2020-21	928,137	293,748	76,863	18,477	1,317,225
2021-22	967,685	256,593	57,315	15,207	1,296,800
2022-23	1,005,393	217,886	59,607	12,914	1,295,800
2023-24	1,043,008	177,670	61,992	10,530	1,293,200
2024-25	1,085,529	135,950	64,471	8,050	1,294,000
2025-26	1,132,950	92,529	67,050	5,471	1,298,000
2026-27	1,180,268	47,211	69,732	2,789	1,300,000
	<u>\$ 16,098,073</u>	<u>\$ 7,133,045</u>	<u>\$ 1,546,927</u>	<u>\$ 614,759</u>	<u>\$ 25,392,804</u>

In 2007, the District entered into negotiations to purchase computer equipment. A non-interest bearing technology loan in the amount of \$332,044 was obtained through the KISTA New Market Tax Credit Program, and is shown as lease obligations in the accompanying financial statements.

Loan principal in the amount of \$66,409 was paid during the fiscal year, which includes coal severance funds in the amount of \$40,279 awarded to the District to assist with the scheduled payments. Coal severance funds are only guaranteed for two years; however, it is anticipated that additional funds will be appropriated in future years. The assets under capital lease are being depreciated. This depreciation is included in total depreciation expense allocated to governmental functions.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The minimum obligations at June 30, 2008 for the lease obligation are as follows:

<u>Year</u>	<u>District</u>	<u>Coal Severance</u>	<u>Total</u>
2008-09	\$ 46,270	\$ 20,139	\$ 66,409
2009-10	66,409	-	66,409
2010-11	66,409	-	66,409
2011-12	33,204	-	33,204
	<u>\$ 212,292</u>	<u>\$ 20,139</u>	<u>\$ 232,431</u>

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the workers' compensation fund are based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund, however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 8 – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions of 13.105%. The matching contributions are paid by the Federal programs for any salaries paid by that program.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 16.17% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$12,216,239. The payroll for employees covered under KTRS was \$9,852,356 and for CERS was \$2,182,938. The state contributions to KTRS were \$1,145,314.

The contribution requirement for CERS for the year ended June 30, 2008 was \$462,128, which consisted of \$352,981 from the Board and \$109,147 from the employees. The Board paid \$146,272 from federal grant monies to KTRS in matching contributions for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS <u>June 30, 2007</u>	CERS <u>June 30, 2007</u>
Assets available for benefits, at fair value	\$ 15,284,955,000	\$ 5,467,824,480
Pension benefit obligation	<u>21,254,974,000</u>	<u>6,659,446,126</u>
(Underfunded) overfunded pension benefit obligations	<u>\$ (5,970,019,000)</u>	<u>\$ (1,191,621,646)</u>

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District matches up to 1% of employee contributions in the Kentucky Public Employees Deferred Compensation Program.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 9 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

NOTE 11 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	Debt Service	Debt service requirement	\$ 73,220
Operating	1	Special Revenue	Matching, Phase II	49,007
Operating	320	Debt Service	Debt service requirement	1,165,287
Operating	310	Construction Fund	Capital Projects	99,473

NOTE 12 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2008.

NOTE 13 – DEFICIT OPERATING/FUND BALANCES

There were no funds that had activity that resulted in a current year operating deficit.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 28,366	\$ 607,074	\$ 1,530,035	\$ 38,998	\$ 2,204,473
Interest receivable	-	-	3,217	-	3,217
TOTAL ASSETS AND RESOURCES	<u>\$ 28,366</u>	<u>\$ 607,074</u>	<u>\$ 1,533,252</u>	<u>\$ 38,998</u>	<u>\$ 2,207,690</u>
LIABILITIES AND FUND BALANCES					
Construction contracts retainage	\$ -	\$ -	\$ 749,243	\$ -	\$ 749,243
Construction contracts payable	-	-	58,888	-	58,888
Reserved for debt service	-	-	-	38,998	38,998
Reserved for capital projects	<u>28,366</u>	<u>607,074</u>	<u>725,121</u>	<u>-</u>	<u>1,360,561</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,366</u>	<u>\$ 607,074</u>	<u>\$ 1,533,252</u>	<u>\$ 38,998</u>	<u>\$ 2,207,690</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	\$ -	\$ 781,806	\$ -	\$ -	\$ 781,806
Earnings on investments	-	-	334,499	738	335,237
Intergovernmental - state	<u>224,860</u>	<u>911,156</u>	<u>-</u>	<u>144,843</u>	<u>1,280,859</u>
TOTAL REVENUES	<u>224,860</u>	<u>1,692,962</u>	<u>334,499</u>	<u>145,581</u>	<u>2,397,902</u>
EXPENDITURES					
Plant operation and management	72,050	-	-	-	72,050
Facilities acquisition and construction	24,971	-	11,578,946	-	11,603,917
Payment of bonds	-	-	-	752,000	752,000
Payment of interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>697,270</u>	<u>697,270</u>
TOTAL EXPENDITURES	<u>97,021</u>	<u>-</u>	<u>11,578,946</u>	<u>1,449,270</u>	<u>13,125,237</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>127,839</u>	<u>1,692,962</u>	<u>(11,244,447)</u>	<u>(1,303,689)</u>	<u>(10,727,335)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	99,473	1,238,507	1,337,980
Operating transfers out	(99,473)	(1,165,287)	-	-	(1,264,760)
Bond proceeds	<u>-</u>	<u>-</u>	<u>376,204</u>	<u>-</u>	<u>376,204</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(99,473)</u>	<u>(1,165,287)</u>	<u>475,677</u>	<u>1,238,507</u>	<u>449,424</u>
NET CHANGES IN FUND BALANCES	28,366	527,675	(10,768,770)	(65,182)	(10,277,911)
FUND BALANCES, JULY 1, 2007	<u>-</u>	<u>79,399</u>	<u>11,493,891</u>	<u>104,180</u>	<u>11,677,470</u>
FUND BALANCES, JUNE 30, 2008	<u>\$ 28,366</u>	<u>\$ 607,074</u>	<u>\$ 725,121</u>	<u>\$ 38,998</u>	<u>\$ 1,399,559</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
CORBIN HIGH SCHOOL
Year Ended June 30, 2008

ACCOUNTS:	Cash Balances <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	Cash Balances <u>June 30, 2008</u>
Academic Boosters	\$ 92	\$ 6,506	\$ 5,843	\$ (530)	\$ 225
Academic Team	-	4,547	4,808	261	-
Annual	5,844	11,682	11,895	-	5,631
Art Class	-	2,000	1,691	-	309
Art Club	343	393	446	-	290
Athletics	34,624	138,358	128,805	(15,310)	28,867
Auditorium Rent	250	625	-	(875)	-
Band	-	-	182	182	-
Baseball Field	150	-	-	-	150
Beta Club	792	1,808	2,451	-	149
Book Rental	-	14,236	15,314	1,078	-
Boys Camp	9,044	13,952	15,235	(800)	6,961
Boys Golf	536	100	3,602	2,966	-
Choir	1,189	3,666	2,751	-	2,104
Cross Country	647	-	384	1,200	1,463
Dance Team	1,460	43,783	45,896	800	147
Jimmy Durham	-	-	180	180	-
Equipment Room	-	1,095	1,951	900	44
FACS	450	165	376	(239)	-
FBLA	317	1,596	1,715	-	198
FCA	150	-	40	(110)	-
FCCLA	608	8,179	9,164	377	-
Field Trip	-	2,046	4,141	2,095	-
Flower Fund	-	-	155	155	-
Football Camp	(510)	6,750	6,007	(200)	33
General Fund	1,412	16,784	11,442	(5,124)	1,630
Girls Camp	1,262	21,185	25,638	3,200	9
Girls Golf	3,148	500	1,254	(1,166)	1,228
Guidance	-	8,914	9,201	289	2
Incentives	-	100	-	-	100
Junior Class	-	6,160	6,697	600	63
Cheerleaders	12,090	21,295	28,917	1,788	6,256
Library	112	2,140	157	(2,000)	95
Lost/damaged books	-	261	-	(261)	-
National Honor Society	1,401	424	1,909	84	-
Pep Club	11	666	1,389	712	-
Practice Field	-	-	486	700	214
ROTC	858	8,915	6,083	(200)	3,490
Science Class	-	2,756	4,044	1,288	-
Senior Class	-	-	1,060	1,060	-

Accounts Receivable June 30, <u>2008</u>	Accounts Payable June 30, <u>2008</u>	Fund Balances June 30, <u>2008</u>
\$ -	\$ -	\$ 225
-	-	-
-	-	5,631
-	-	309
-	-	290
-	-	28,867
-	-	-
-	-	-
-	-	150
-	-	149
-	-	-
-	-	6,961
-	-	-
-	-	2,104
-	(100)	1,363
-	-	147
-	-	-
-	-	44
-	-	-
-	-	198
-	-	-
-	-	-
-	-	-
-	-	33
-	(937)	693
-	-	9
-	-	1,228
-	-	2
-	-	100
-	-	63
-	-	6,256
-	-	95
-	-	-
-	-	-
-	-	-
-	-	214
-	-	3,490
-	-	-
-	-	-

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
CORBIN HIGH SCHOOL
Year Ended June 30, 2008

	Cash Balances <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>	Cash Balances <u>June 30, 2008</u>
Senior Science	-	54,862	54,751	-	111
Softball	250	14,830	15,080	-	-
Speech Club	-	805	1,357	552	-
Student Council	21	79	193	93	-
Teachers' Lounge	-	1,316	3,037	1,721	-
Tech Ed	270	1,316	1,130	-	456
Thespian Society	45	373	197	-	221
Travel	-	4,745	4,022	(723)	-
Tennis-Boys	722	1,869	3,359	886	118
Tennis-Girls	608	6,053	7,276	886	271
Tennis Court Fund	328	-	-	(328)	-
Track	-	4,191	6,217	2,026	-
Unite	-	-	11	11	-
Volleyball	4,436	2,905	7,309	900	932
Weight Room	350	-	1,096	746	-
Y-Club	-	5,012	5,542	530	-
YSC	394	2,465	2,448	(400)	11
Totals	<u>\$ 83,704</u>	<u>\$ 452,408</u>	<u>\$ 474,334</u>	<u>\$ -</u>	<u>\$ 61,778</u>

Accounts Receivable June 30, <u>2008</u>	Accounts Payable June 30, <u>2008</u>	Fund Balances June 30, <u>2008</u>
-	-	111
-	-	-
-	-	-
-	-	-
-	-	456
-	-	221
-	-	-
-	-	118
-	-	271
-	-	-
-	-	-
-	-	932
-	-	-
-	-	11
<u>\$ -</u>	<u>\$(1,037)</u>	<u>\$ 60,741</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES - ACTIVITY FUNDS
Year Ended June 30, 2008

	<u>Cash Balances</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash Balances</u> <u>June 30, 2008</u>
CORBIN MIDDLE SCHOOL					
All funds	<u>\$ 69,794</u>	<u>\$ 232,250</u>	<u>\$ 244,573</u>	<u>\$ -</u>	<u>\$ 57,471</u>
CENTRAL PRIMARY SCHOOL					
All funds	<u>\$ 28,540</u>	<u>\$ 64,686</u>	<u>\$ 74,376</u>	<u>\$ -</u>	<u>\$ 18,850</u>
SOUTH ELEMENTARY SCHOOL					
All funds	<u>\$ 35,506</u>	<u>\$ 115,901</u>	<u>\$ 111,831</u>	<u>\$ -</u>	<u>\$ 39,576</u>
CORBIN EAST					
All funds	<u>\$ 1,597</u>	<u>\$ 2,472</u>	<u>\$ 2,393</u>	<u>\$ -</u>	<u>\$ 1,676</u>

Accounts Receivable June 30, <u>2008</u>	Accounts Payable June 30, <u>2008</u>	Fund Balances June 30, <u>2008</u>
<u>\$ 68</u>	<u>\$(3,228)</u>	<u>\$ 54,311</u>
<u>\$ 50</u>	<u>\$(2,750)</u>	<u>\$ 16,150</u>
<u>\$ 200</u>	<u>\$(3,880)</u>	<u>\$ 35,896</u>
<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ 1,663</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States	84.027	3810002	\$ 440,562	\$ 440,562 *
Special Education - Grants to States	84.027	3810002	399,523	2,118 *
Special Education - Preschool Grants	84.173	3800002	15,680	15,680 *
Total Special Education Cluster				458,360
Title I Grants to Local Educational Agencies	84.010	3100002	435,849	396,157 *
Title I Grants to Local Educational Agencies	84.010	3100002	13,590	13,590 *
Title I Grants to Local Educational Agencies	84.010	3100002	444,105	44,522 *
Title I Program for Neglected and Delinquent Children	84.013	3138	18,665	18,665
State Grants for Innovative Programs	84.298	3500002	3,359	3,048
Safe and Drug-Free Schools and Communities-State Grants	84.186	3410002	10,086	2,399
Safe and Drug-Free Schools and Communities-State Grants	84.186	3410002	10,643	3,170
Safe and Drug-Free Schools and Communities-National Programs	84.184	5348B	148,000	73,527
Safe and Drug-Free Schools and Communities-National Programs	84.184	5348D	113,000	113,000
Safe and Drug-Free Schools and Communities-National Programs	84.184	5348A	400,000	367,626
Safe and Drug-Free Schools and Communities-National Programs	84.184	5347	400,000	44,235
Education Technology State Grants	84.318	3210002	4,358	4,358
Vocational Education - Basic Grants to States	84.048	4620832	12,998	12,998
Vocational Education - Basic Grants to States	84.048	4620732	17,123	2,495
Improving Teacher Quality State Grants	84.367	3230002	140,151	484
Improving Teacher Quality State Grants	84.367	3230002	139,419	138,102
Twenty-First Century Community Learning Centers	84.287	3400002	5,000	742
Twenty-First Century Community Learning Centers	84.287	3400002	50,000	26,527
Total U.S. Department of Education				<u>\$ 1,724,005</u>
<u>U.S. Department of Labor</u>				
Passed through State Department of Education:				
WIA Jobs for America's Graduates	17.260	272SR08	\$ 23,500	<u>\$ 23,500</u>
Total U.S. Department of Labor				<u>\$ 23,500</u>

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	7760005	\$ 33,910	\$ 33,910 *
		7760005	115,689	115,689 *
National School Lunch Program	10.555	7750002	94,650	94,650 *
		7750002	306,269	306,269 *
Summer Food Service Program for Children	10.559	7690024	20,801	20,801 *
		7740023	225,450	225,450 *
Total Child Nutrition Cluster				796,769
Food Donation/Commodities Program	10.550	057502-02	66,543	66,543
Child and Adult Care Food Program	10.558	7790021	1,896	1,896
		7790021	9,966	9,966
Child and Adult Care Food Program	10.558	7800016	242	242
		7800016	1,146	1,146
Total U.S. Department of Agriculture				<u>\$ 876,562</u>
<u>U.S. Department of Health and Human Services</u>				
Drug-Free Communities Support Program Grants	93.276	5007	\$ 100,000	\$ 13,856
Total U.S. Department of Health and Human Services				<u>\$ 13,856</u>
<u>National Oceanic and Atmospheric Administration</u>				
Congressionally Identified Awards and Projects	11.469	EF-07-47	\$ 3,550	\$ 3,496
Congressionally Identified Awards and Projects	11.469	EF-07-46	5,500	5,472
Congressionally Identified Awards and Projects	11.469	EF-07-45	5,000	4,997
Total National Oceanic and Atmospheric Administration				<u>\$ 13,965</u>
Total Expenditures of Federal Awards				<u>\$ 2,651,888</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corbin Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

SUMMARY OF AUDIT RESULTS

1. We have issued an unqualified opinion on the basic financial statements of the Corbin Independent School District.
2. No reportable conditions were disclosed in our audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No reportable conditions were disclosed in our audit of internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings, which we are required to report under Section .510(a) of A-133.
7. The programs tested as major programs included:

	<u>CFDA</u>
Title I Grants to Local Educational Agencies	84.010
SPECIAL EDUCATION CLUSTER	
Special Education - Preschool Grants	84.173
Special Education - Grants to States	84.027
CHILD NUTRITION CLUSTER	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Corbin Independent School District was determined to be a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008

NONE

Marr, Miller & Myers, PSC

Certified Public Accountants
(606) 528-2454 (FAX 528-1770)

P.O. Box 663
Corbin, Kentucky 40702

September 25, 2008

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

We have audited the financial statements of the Corbin Independent School District as of and for the year ended June 30, 2008, and have issued our report thereon dated September 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and state audit requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corbin Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Marr, Miller & Myers, PSC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corbin Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marr, Miller & Myers, PSC

Certified Public Accountants

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P.O. Box 663
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September 25, 2008

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Compliance

We have audited the compliance of the Corbin Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Corbin Independent School District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corbin Independent School District's management. Our responsibility is to express an opinion on the Corbin Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state audit requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corbin Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corbin Independent School District's compliance with those requirements.

In our opinion, the Corbin Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in section 3(9)(a)-(w) of the Guide for Auditing Local School Districts' Fiscal Records that are required to be reported under Government Auditing Standards.

Internal Control Over Compliance

The management of the Corbin Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corbin Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corbin Independent School District's internal control over compliance.

Marr, Miller & Myers, PSC

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marr, Miller & Myers, PSC

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P.O. Box 663
Corbin, Kentucky 40702

September 25, 2008

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

In planning and performing our audit of the financial statements of the Corbin Independent School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

DAY CARE OPERATIONS

The Corbin Preschool Center has a decrease in revenues during this fiscal year. This pending situation was noted during April, 2008 by the District. They performed their own internal audit in order to determine the problem, and as a result, began implementing accounting procedures that addressed the lack of segregation of duties, as well as proper reconciliation procedures necessary to ensure funds received by the Center were accounted for and recorded properly. During field work, it was brought to the District's attention that all receipts were not properly deposited into the District's accounts. Beginning with the August 2008 activity of the Center, District officials began reconciling all monies received and expended, as well as all student accounts. The accounting procedures implemented should prevent this situation from occurring in the future.

Marr, Miller & Myers, PSC

Certified Public Accountants